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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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PASS: USDA FOR WITCHER AND R.E. ANDERSON, JR., FAS

NOHRE AND J.E. LEE, ERS

E.O. 11652: N/A

TAGS: EAGR OECD

SUBJECT: APRIL 5-7 MEETING OF WORKING PARTY NO. 3

(DAIRY PRODUCTS)

1. SUMMARY: OUTLOOK AND SITUATION DISCUSSION CONFIRMED

ALMOST UNIVERSAL SURPLUS SITUATION FOR NFDM IN OECD

AREA AND FOR BUTTER IN THAT AREA OUTSIDE US, AS POR-

TRAYED IN USDA, FOR AGR CIR FD 1-76. PROGRAMMING

FOR FOOD AID OF 136,000 TONS OF NFDM DURING CURRENT

AND NEXT FY'S BY US AND OF SO ASSIGNING 200,000 TONS

OF NFDM FOR 1976 AND 1977 BY EC ARE ONLY SIGNIFICANT

EVENTS WHICH OCCURRED SINCE FD 1-76 WAS WRITTEN AND

WHICH MODIFY THAT DOCUMENT. DESPITE THESE EVENTS,

DRAFT REPORT AGR/WP3(76)7 ON USE OF SKIM MILK POWDER

IN FOOD AID ACCEPTED ONLY AFTER TEDIOUS DRAFTING SES-

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SION. DRAFT QUESTIONNAIRE RELATING TO FORECASTS OF

DAIRY SITUATION IN 1980 AND 1982 (AGR/WP3(76)8)
SLIGHTLY MODIFIED AND PROVISIONALLY ACCEPTED (PENDING
DISCUSSION OF PARALLEL QUESTIONNAIRE IN WP4 (LIVESTOCK
AND MEAT) APRIL 26-28). NEXT MEETING IN FALL. DAIRY
CHAPTER IN LONG-TERM DEMAND AND SUPPLY STUDY (C(75)157)
TO BE DISCUSSED AT THAT TIME. PRINCIPAL BENEFIT TO US
OF MEETING MAY HAVE BEEN EMPHATIC RESTATEMENT OF
FACT THAT US CONSUMES 1.5 KG PER PERSON PER YEAR
OF NFDM AS DIRECT HUMAN FOOD AND THAT THIS PRODUCT
IS TOO VALUABLE TO CONSIDER IT BASICALLY AS A FEED
INGREDIENT AS IS DONE IN EUROPE. END OF SUMMARY.

2. BRUGGER (SWITZERLAND) REELECTED CHAIRMAN; (WP HAS
NO VICE CHAIRMAN); 18 MEMBER COUNTRIES PRESENT (ALL
BUT CANADA, ICELAND, IRELAND, ITALY, LUXEMBOURG,
NORWAY AND YUGOSLAVIA), ALSO EC, FAO, AND WORLD FOOD
PROGRAM. AGENDA ADOPTED (AGR/WP3/A(76)1).

3. DAIRY SITUATION AND PROSPECTS DISCUSSED (AGR/WP3
(76)6). US DEL (HIRSCH) CLARIFIED (IN FORM OF QUES-
TION TO SECRETARIAT) THAT US DOES NOT PARTICIPATE IN
GATT MINIMUM PRICE AGREEMENT FOR NFDM. AT END OF US
SITUATION STATEMENT EC DEL (BJORNSTAD) EXCLAIMED,
"ISNT IT A PITY THAT USG DOESN'T ALLOW MORE BUTTER
CONSUMPTION." US DEL RESTATED THAT PER CAPITA BUTTER
CONSUMPTION IN 1975 WAS UP 2.2 PERCENT AND THAT LARGE
IMPORTS IN 1973 ARE PROOF THAT OUR QUOTA PROGRAM IS
OPERATED FLEXIBLY AND IS FAR FROM BEING AS RIGID AS
COMMENT IMPLIES. ALL FOLLOWING DATA IN THOUSAND
METRIC TONS. NEW ZEALAND REPORTED 1975 NFDM PRODUC-
TION AS 230 (SIGNIFICANT DOWNWARD REVISION FROM 280
AND/OR 290 PREVIOUSLY PUBLISHED). MILK PRODUCTION
IN JANUARY AND FEBRUARY 6 AND 9 PERCENT RESPECTIVELY
ABOVE YEAR AGO. AUSTRALIA EXPECTS MORE CHEESE AND NFDM
AVAILABLE FOR EXPORT IN 1976 DESPITE LESS CURRENT MILK
PRODUCTION. SWITZERLAND DISCUSSED NEED TO DECREASE
MILK PRODUCTION, IS STUDYING POSSIBILITY
OF A DOMESTIC PRODUCTION QUOTA SYSTEM WHICH MIGHT BE
EFFECTIVE NOVEMBER 1977. IN DENMARK MUCH SKIM MILK
STILL RETURNED TO FARM, RATIO OF NFDM TO BUTTER PRO-
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DUCTION ONLY 1:2, BUT RISING. UK EXPECTS COW NUMBERS
TO CONTINUE DECLINE TO MIDYEAR (-2.7 PERCENT JULY
1976 CF. 1975) THEN 1.7 PERCENT INCREASE TO MID-1977.
SHARP INCREASE IN BUTTER PRODUCTION (TO 81 IN 1976 FROM
47 IN 1975) IMPORTS TO DECLINE FROM 484 TO 381;
BUTTER SUBSIDY TO BE PHASED OUT. CHEDDAR IMPORTS TO
DECLINE FROM 152 TO 82. CHEESE PRODUCTION TO RISE TO
230, CONSUMPTION TO INCREASE STEADILY. NFDM PRODUC-

TION TO RISE FROM 105 TO 140. FRANCE REPORTED SHARP
INCREASES IN MILK DELIVERIES FAR IN EXCESS OF PRE-
VIOUSLY PROJECTED 1 PERCENT. EC DISCUSSED CONCEPT OF
"CO-RESPONSIBILITY" OF PRODUCERS FOR THEIR PRODUCTION
IN LIGHT OF 27 PERCENT BUTTER AND 34 PERCENT NFDM

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PRODUCTION INCREASES DURING JANUARY-FEBRUARY OVER
YEAR EARLIER; ASSERTED THAT EC WAS ATTEMPTING TO
SOLVE SURPLUS PROBLEMS AT HOME WITHOUT AFFECTING
INTERNATIONAL TRADE. NEXT DAY US EXPRESSED DIS-
AGREEMENT WITH THAT VIEW, SAID WE BELIEVE TO HAVE
JUSTICIABLE CLAIM AGAINST EC COMPULSORY NFDM
FEED MIXING REGULATION. WHILE THAT MATTER WAS BEING
TAKEN UP IN BRUSSELS AND GENEVA, WE HOPE THAT MIXING
REGULATION WOULD NOT BE EXTENDED BUT TERMINATED IN
OCTOBER AT THE LATEST. A PARTIAL LONG-TERM SOLUTION

TO NFDM PROBLEM WAS DIRECT HUMAN CONSUMPTION. FAO DEL (KOSTICH) REPORTED USSR MILK PRODUCTION (PRESUMABLY IN 1975) DOWN 4 PERCENT, BUT BUTTER PRODUCTION UP (BECAUSE OF REDUCED BUTTERFAT CONTENT IN OTHER DAIRY PRODUCTS); SAW EXPORT POSSIBILITIES FOR OECD COUNTRIES TO CENTRALLY PLANNED COUNTRIES PARTICULARLY FOR NFDM. SECRETARIAT PREPARED AND WP ADOPTED (WITH LIMITED OFFICIAL USE

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SOME CHANGES) A SITUATION REPORT TO COMMITTEE FOR AGRICULTURE STATING: "---THE RISE IN (BUTTER) STOCKS WILL BE SUBSTANTIAL DURING SPRING AND SUMMER, PARTICULARLY WHEN ACCOUNT IS TAKEN OF THE RISE IN PRICE IN THE EEC COUNTRIES. IN THE UK WHERE DEMAND IS MORE RESPONSIVE TO PRICE CHANGES THAN IN MOST COUNTRIES, THE PRICE INCREASE WILL BE PARTICULARLY SHARP ONCE THE RISE IN EEC MILK PRICES, THE TAKING OF A FURTHER STEP TOWARDS ALIGNMENT WITH THE COMMON TARGET PRICE, AND A REDUCTION IN SUBSIDY HAVE BEEN FULLY REFLECTED IN RETAIL PRICES." REFERRING TO ALL DAIRY PRODUCTS THE REPORT CONCLUDES: "IT CAN BE EXPECTED THAT TRADING DIFFICULTIES ARE LIKELY TO CONTINUE AND EVEN TO BE AGGRAVATED IN 1976. THE CONSEQUENCES FOR DAIRYING IN EXPORTING COUNTRIES ARE LIKELY TO BE SERIOUS."

4. DISCUSSION OF USE OF NFDM AS FOOD AID (AGR/WP3 (76)7) STARTED BY FAO DEL STRESSING PROBLEMS CREATED BY SHARP FLUCTUATIONS IN FOOD AID. HE DISTRIBUTED DOCUMENT WFP/CFA:1/6-C, ESTABLISHMENT OF MINIMUM FOOD AID TARGETS FOR DAIRY AND FISH PRODUCTS, OILS AND FATS, PREPARED FOR ROME MEETING APRIL 27-MAY 7. LENGTHY DISCUSSION OF POTENTIAL ABSORPTIVE CAPACITY FOR NFDM IN FOOD AID RANGING FROM A WFP REP (SCHULTES) REFERENCE TO "200 MILLION UNDERNOURISHED CHILDREN OF WHOM ONLY ONE FOURTH CAN BE REACHED" TO AN EC REFERENCE TO "TOTAL DEMAND THIS YEAR IS 195,000 T." WFP REP CONSIDERED HEALTH RISK IN NFDM DISTRIBUTION MINOR, ALSO SAID WFP FOUND OUT THAT ONE CANNOT SIMULTANEOUSLY DEVELOP THE DAIRY SECTOR AND STIMULATE CONSUMPTION. NEW ZEALAND (SHEPHERD) ASKED WHETHER IT IS FEASIBLE TO SELL NFDM (OR RECONSTITUTED MILK) AT LOW PRICES, IN FACT AVERAGING GRANTS AND COMMERCIAL SALES PRICES. US DEL EXPRESSED VIEW THAT THERE MAY BE SITUATIONS IN WHICH THIS MIGHT WORK BUT IN GENERAL GRANT RECIPIENTS SHOULD BE SPECIAL POPULATION GROUPS OR IN SPECIAL DISASTER AREAS -- I.E. SEGREGATED FROM THE COMMERCIAL MARKETS. DURING DRAFTING OF REVISIONS OF AND ADDITIONS TO AGR/WP3(76)7, GERMAN DEL OBJECTED TO REFERENCES ON HOW 200,000 TON EC-NFDM FOOD AID

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COMMITMENT IS TO BE BUDGETED, INSISTED ON REWRITING
REFERENCE TO WFP BIENNIAL PLEDGING CONFERENCE HELD
LAST FEBRUARY, ATTEMPTED TO IMPLY THAT NFDM COULD ONLY
BE RECONSTITUTED WITH BUTTEROIL AND WHEN THEY FAILED
IN THIS, THEY OBJECTED TO A HEADING OF "DAIRY DEVELOP-
MENT" UNDER WHICH RECONSTITUTING WAS DISCUSSED. US
DEL SUCCEEDED IN WRITING INTO THE REPORT REFERENCES
TO (1) THE NEED TO RECONCILE THE DESIRABILITY OF A
CERTAIN DEGREE OF CONTINUITY IN USING SKIM MILK POWDER
IN FOOD AID WITH THE INTENTION TO AVOID SUCH AID ON A
PERMANENT BASIS AND (2) RECOGNITION OF THE SPECIAL
CHARACTER OF NFDM AS A VALUABLE PROTEIN FOOD WHICH
CANNOT BE ACCOMMODATED IF BUDGETARY EXPENDITURES ARE
TO BE MINIMIZED WHILE THE SUPPLY OF CALORIES IS TO BE
MAXIMIZED AT THE SAME TIME.

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5. DISCUSSING THE COMPARISON OF FORECAST AND ACTUAL TRENDS FROM 1970 TO 1975 (AGR/WP3(76)5), US DEL RAISED SOME UNANSWERED QUESTIONS REGARDING (1) THE RECONCILIATION AND CONSISTENCY (OR LACK OF IT) OF COMPARISONS OF FORECAST AND ACTUAL FIGURES FOR COW NUMBERS, YIELD PER COW AND MILK PRODUCTION AND (2) POSSIBLE FORECASTING BIASES (UPWARD OR DOWNWARD) BY MEMBER COUNTRIES. AUSTRALIA (RYAN) AND FINLAND (RUTTANEN) THOUGHT MEMBER COUNTRIES' FORECASTS MUST BE ACCEPTED WITH FEW IF ANY QUESTIONS ASKED. AUSTRALIA RECOMMENDED USE OF THE WORD PROJECTIONS IN LIEU OF FORECASTS. THIS WAS REJECTED BY SECRETARIAT BECAUSE IT ERRONEOUSLY EQUATES PROJECTIONS WITH MATHEMATICAL EXTRAPOLATIONS WHICH EXCLUDE THE APPLICATION OF JUDGMENT.

6. REGARDING DRAFT QUESTIONNAIRE RE 1980 AND 1982 FORECASTS (AGR/WP3(76)8), INCLUSION OF CASEIN AND OF PER LIMITED OFFICIAL USE

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CAPITA CONSUMPTION DATA WAS ACCEPTED. EC, NEW ZEALAND AND OTHERS FELT "1980" SHOULD IMPLY TREND VALUES CONCEPTUALLY EQUALLING 1979-81 AVERAGES AND THOUGHT "1982" DID NOT ADD MUCH TO SUCH A CONCEPT OF 1980. SECRETARIAT (VIATTE) THOUGHT THERE SHOULD BE UNIFORMITY WITH THE MEDIUM-TERM FORECASTS FOR BEEF TO BE PROPOSED TO WP NO. 4. BEEF, HOWEVER, REQUIRED INCLUSION OF 1982 FOR A TRUE MEDIUM-TERM FORECAST; MOREOVER A CONCEPT OF EQUATING 1980 WITH THE 1979-81 AVERAGE MIGHT COVER UP CYCLICAL FEATURES WHICH REQUIRE RECOGNITION. MATTER LEFT UNRESOLVED PENDING CONSIDERATION BY WP NO. 4, APRIL 26-28. GERMANY FELT "CO-RESPONSIBILITY" AND THUS POLITICAL DECISIONS WILL INFLUENCE FUTURE PRODUCTION AND MUST BE RECOGNIZED IN FORECASTING. CHAIR SAID QUESTIONNAIRE REPLIES MUST BE RECEIVED OCTOBER 1.

7. NEXT MEETING TO BE IN FALL. NOT FEASIBLE TO MEET WITH WP NO. 4 AT THAT TIME, BUT WILL BE DONE NEXT WINTER. FALL MEETING TO DISCUSS DAIRY CHAPTER IN WORLD STUDY (C(75)157).
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Message Attributes

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